



3333 K Street, NW, Suite 110
Washington, D.C. 20007
Tel: 202-333-3288
Fax: 202-333-3266

December 19, 2005

The Honorable Mary Cottrell
Secretary
Massachusetts Department of Telecommunications and
Energy
One South Station
Boston, MA 02110

**RE: D.T.E. 05-85 – Petition of Boston Edison Company, Cambridge Electric
Light Company, Commonwealth Electric Company and NSTAR Gas
Company for approval of a rate settlement effective January 1, 2006**

Dear Secretary Cottrell:

The National Energy Marketers Association (NEM)¹ hereby submits these letter Comments on the rate settlement agreement filed by NSTAR in the above-referenced proceeding. NEM is very concerned that the electric and natural gas procurement provisions of the settlement will not only hinder the development of the competitive retail market but will actually cause a reversal in progress made to date. It is NEM's recommendation that residential and small commercial customers should have monthly-adjusted, market-based utility rates to which should be added a utility's fully allocated embedded and projected stranded costs associated with providing all of the otherwise

¹ NEM is a national, non-profit trade association representing wholesale and retail marketers of natural gas, electricity, as well as energy and financial related products, services, information and advanced technologies throughout the United States, Canada and the European Union. NEM's membership includes independent power producers, advanced metering, demand and load management firms, billing, back office, customer service and related information technology providers. NEM members are global leaders in the development of enterprise solution software for energy, advanced metering, information services, finance, risk management and the trading of commodities and financial instruments. NEM members also include inventors, patent holders, systems integrators, and developers of advanced power line surveillance and grid reliability technology with advanced uses in Power Line Communications (PLC) technologies as well as new and innovative electrical encoding, applications or decoding known as Smart Electricity.TM

competitive commodity related products, services, information and technologies currently bundled in full service rates.

I. Electric Procurement Proposal

The Settlement provides at Paragraph 2.21 for a new electric procurement program as follows:

NSTAR Electric shall design its procurement of electricity for residential customers which may be implemented beginning at its next procurement (for effect July 1, 2006) as follows: (1) 50 percent of its load will be procured under one-year contracts; (2) 25 percent of its load will be procured under two-year contract; and (3) 25 percent of its load will be procured under three-year contracts. (Settlement at 14).

NEM urges the Department not to adopt this provision. By staggering procurements over three years, ratepayers will not become educated consumers responding to meaningful price signals. Price signals are a prerequisite for consumers to make informed lifestyle choices based on the costs and benefits of demand responsive behavior. While locking consumers into historically high prices may ultimately benefit the energy services and technology industry, it does not serve the public interest to misallocate resources in such a fundamental way.

Mandating a three-year commitment for a quarter of the supply is also likely to artificially inflate prices due to the lack of liquidity to hedge supply in the last half of the contract. It will also exacerbate the ongoing credit crisis, significantly increasing energy costs and reducing competition simultaneously.

Finally, NEM submits that this market structure and three-year contract duration will insulate the retail price from market movements inasmuch as $\frac{3}{4}$ of supply will always be locked in. As a result, a retail boom will be created when the forward market drops

below the “locked in” NSTAR rate and a retail bust will be created when the forward market increases above the “locked in” NSTAR rate. This could severely inhibit consumer migration in the NSTAR service territory.

Accordingly, NEM urges the Department to reject the electric procurement program provision of the settlement.

II. Gas Procurement Proposal

The settlement provides at Paragraph 2.22 that NSTAR Gas will develop a “fixed-price option for residential and small commercial Default Service customers.” (Settlement at 14). NEM submits that fixed price commodity offerings are products that should be offered by the competitive marketplace.² The offering of a fixed price commodity service as a regulated utility rather than through an affiliate under competitively neutral conditions undermines any semblance of objective competitive neutrality.³

NEM urges the Department to reject the gas procurement program provision of the proposal.

III. Conclusion

NEM appreciates this opportunity to offer our comments and reiterates our commitment to working with the Department and other stakeholders to devise fair and effective ways to implement the competitive restructuring of Massachusetts electric and natural gas markets.

² See NYPSC Case 05-G-0311, Order Directing the Future Termination, Subject to Conditions, of a Fixed Price Offer, issued July 22, 2005, at page 8, finding that, “a fixed price supply option is a service that could and should be developed and offered by the competitive marketplace.”

³ For further discussion of this issue see NYPSC Cases 05-M-0453 and 05-M-0454, NEM Comments on NYSEG/RG&E Retail Access Plans available at: http://www.energymarketers.com/Documents/final_NYSEG_Comments.pdf

Respectfully submitted,

Craig G. Goodman
President
National Energy Marketers Association
3333 K Street, NW, Suite 110
Washington, DC 20007
Tel: (202) 333-3288
Fax: (202) 333-3266
Email: cgoodman@energymarketers.com
Website-www.energymarketers.com

cc: Robert N. Werlin